

Message Text

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SUBJ: SECRETARY SHULTZ VISIT: SUBSTANTIVE DISCUSSIONS
LUAQ. IN MEETING WITH SECRETARY SHULTZ, PRESIDENT SOEHARTO
AND OTHER INDONESIAN OFFICIALS ARE LIKELY BE CONCERNED
WITH: A) FUTURE OF US ECONOMIC ASSISTANCE TO INDONESIA;
B) ATTITUDE OF EXIM BANK; C) US OFFICIAL ATTITUDE
TOWARD INVESTMENT CLIMATE AND D) US APPROACH TO
CONSULTATIONS WITH OIL PRODUCING COUNTRIES. INDONESIANS
ALSO INTERESTED, BUT LESS SO, IN WORLD MONETARY TRENDS.

2. WE ASSUME SECRETARY SHULTZ WILL WISH: A) TO URGE
RESTRAINT ON OIL PRICES; B) TO EXPLAIN US ATTITUDE
TOWARD CONSUMER-PRODUCER CONSULTATIONS; C) POINT OUT
LEGISLATIVE PROBLEMS RELATING TO U.S. ECONOMIC
ASSISTANCE AND D) URGE OIL PRODUCER SYMPATHY FOR
POORER DEVELOPING COUNTRIES.

3. WITH RESPECT TO POINTS LIKELY TO BE RAISED BY
SECRETARY, INDONESIANS BELIEVE THEIR MANIFOLD PROBLEMS
MAKE THEM DIFFERENT FROM OTHER OIL PRODUCING COUNTRIES
AND THAT BECAUSE FUTURE OF THEIR OIL AND WORLD PRICES
NOT CERTAIN THEY SHOULD NOT YET BE CONSIDERED AS
WEALTHY. THEY WILL ALSO POINT TO INCREASED IMPORT

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COSTS, PARTICULARLY FERTILIZER AND RICE, AND INSIST THAT,

GIVEN THESE PROBLEMS, THEY HAVE SHOWN RESTRAINT IN OIL PRICES. ACCORDINGLY WE BELIEVE TOO STRONG AN APPROACH TO INDONESIANS NOT LIKELY BE HELPFUL OR PERSUASIVE ON THESE ISSUES.

4. WE SUGGEST THEREFORE, SUBJECT TO WASHINGTON VIEWS, THAT SECRETARY SPEAK ALONG THESE LINES IN TALKS WITH PRESIDENT AND INDONESIAN OFFICIALS:

A) MAJOR PRICE CHANGES IN WORLD ECONOMY, INCLUDING BOTH IMPORTS AND EXPORTS OF DEVELOPING COUNTRIES, HAVE CREATED SITUATION REQUIRING MAXIMUM OF RESTRAINT AND CONSULTATION ON PART OF ALL CONCERNED. POORER STATES PARTICULARLY HARD HIT. US DOES NOT WISH SEE CONFRONTATION BETWEEN PRODUCER AND CONSUMER BUT HAS PROPOSED AND IS FURTHERING SYSTEM WHERE TWO GROUPS TOGETHER CAN LOOK AT MAJOR PROBLEMS CONFRONTING WORLD.

B) INDONESIA AMONG FORTUNATE NATIONS WITH INCREASED REVENUES. AT SAME TIME US RECOGNIZES SUBSTANTIAL INDONESIAN REQUIREMENTS AND IS SEEKING TO CONTINUE FOR PRESENT CONCESSIONAL ECONOMIC ASSISTANCE. SOME RECOGNITION BY INDONESIA OF CHANGED FINANCIAL CIRCUMSTANCES EITHER THROUGH REDUCED IGGI TARGET OR ACCEPTANCE LESS CONCESSIONAL AID WOULD BE HELPFUL TO DONORS IN PRESENT CIRCUMSTANCES.

C) CONGRESSIONAL ATTITUDES TOWARD AID STRONGLY NEGATIVE AS DEMONSTRATED BY VOTE AGAINST IDA. SECRETARY PERSONALLY SEEKING REVEREN THIS VOTE. US RECOGNIZES NEED FOR CONTINUING ROLE IN HELPING DEVELOPING ECONOMIES. MORE AND MORE THIS WILL BE THROUGH TECHNICAL ASSISTANCE AND TERMS NEARER COMMERCIAL CREDITS FOR COUNTRIES INCREASINGLY ABLE FINANCE THEIR OWN DEVELOPMENT.

D) US HAS BEEN PLEASED AT COOPERATION WITH INDONESIA IN BOTH OFFICIAL AND PRIVATE SECTORS. IGGI RELATIONSHIP HAS BEEN USEFUL FOR ALL; WE HOPE IT WILL CONTINUE EVEN IF CIRCUMSTANCES SUGGEST REVISION IN LEVELS AND POLICIES. US HAS GENERALLY FOUND INVESTMENT CLIMATE GOOD IN
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INDONESIA AND HOPES INDONESIA WILL CONTINUE RECOGNIZE CIRCUMSTANCES UNDER WHICH PRIVATE ENTERPRISE CAN CONTRIBUTE TO DEVELOPMENT.
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